

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 STR-04 CEA-01
/091 W

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P 310542Z AUG 77

FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC PRIORITY 3545
INFO AMEMBASSY MANILA PRIORITY
AMEMBASSY BANGKOK
AMEMBASSY KUALA LUMPUR
AMEMBASSY SINGAPORE
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 1 OF 2 JAKARTA 11725

E.O. 11652: GDS
TAGS: ASEAN, ETRD, EGEN, ECIN, ID
SUBJECT: U.S.-ASEAN DIALOGUE

REF: (A) KUALA LUMPUR 5399, (B) KUALA LUMPUR 5847

1. EMBASSY AGREES WITH PERCEPTIVE COMMENTS MADE IN REFTELS AND SHARES THE VIEW THAT ASEAN, DESPITE MANY UNRESOLVED PROBLEMS, HAS BECOME A COHESIVE FORCE IN SOUTHEAST ASIA AND ONE WHICH THE U.S. SHOULD SUPPORT. A SIGNIFICANT FACTOR WHICH WE SHOULD NOT OVERLOOK IN OUR DEALINGS WITH ASEAN IS THAT THE ORGANIZATION IS IN EFFECT THE FIRST REGIONAL ORGANIZATION IN THIS AREA WHICH HAS BEEN ESTABLISHED WITHOUT OUTSIDE PROMPTING OR PARTICIPATION. WE ARE DEALING WITH AN INDEPENDENT LDC GROUPING THAT CAN BECOME A KEY FACTOR IN HELPING BRING ABOUT A BETTER UNDERSTANDING BETWEEN NORTH AND SOUTH. ACCORDINGLY, A FORTHCOMING AND CONSTRUCTIVE STANCE BY THE U.S. WILL BE A DEFINITE PLUS IN THE EVOLUTION OF THE ENTIRE SPECTRUM OF ISSUES RASIED
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IN CIEC AND NOW BEING CARRIED FORWARD INTO THE UN ORBIT.

2. INDONESIA CONSIDERS ITSELF QUITE NATURALLY AN EXPERT SPOKESMAN ON NORTH-SOUTH ISSUES WHICH, AS REFTELS SUGGEST, ARE AT THE MOMENT THE PRINCIPAL UNIFYING FORCE IN THE ASEAN RELATIONSHIP TO BOTH DCS AND LDCS. ONE CAN EXPECT THAT THE MODERATION WHICH THE INDONESIANS DISPLAYED ON

THIRD WORLD ISSUES WILL BE APPLIED IN THE ASEAN DIALOGUES. BUT WE MUST REALIZE THAT AN ELEMENT OF PRAGMATISM MAY PROMPT THE INDONESIANS AND THEIR ASEAN PARTNERS TO PRESS FORWARD WITH SPECIAL SCHEMES SUCH AS STABEX, PARTICULARLY IF THEY SENSE THAT MULTILATERAL ACTIONS DERIVING FROM CIEC SUCH AS THE COMMON FUND ARE NOT MOVING AHEAD FAST ENOUGH. IN OTHER WORDS, IF THEY SEE THAT THEY CAN GAIN CERTAIN ADVANTAGES THROUGH THE ASEAN DIALOGUE CHANNELS THAT THEY MIGHT NOT OBTAIN IN A BROADER, MULTILATERAL CONTEXT, THEY WILL LIKELY JOIN WITH THE OTHER ASEAN PARTNERS IN PUSHING FOR SPECIAL CONSIDERATION IN AREAS SUCH AS TAXATION AND COMMODITIES.

3. THE UPCOMING MANILA SESSIONS WILL CLEARLY BE AN OPPORTUNITY FOR THE U.S. TO ATTEMPT TO PERSUADE THE ASEAN COUNTRIES THAT A NEW WORLD ECONOMIC ORDER CANNOT BE DEVELOPED ON THE BASIS OF A MULTIPLICITY OF POTENTIALLY CONFLICTING BLOCK RELATIONSHIPS. AT THE SAME TIME WE MUST REALIZE THAT ASEAN WILL APPROACH ITS DISCUSSIONS WITH US ON THE PRINCIPLE THAT THE INDUSTRIAL COUNTRIES MUST OPEN THEIR DOORS TO ASEAN PRODUCTS IF ASEAN IS TO ACHIEVE ECONOMIC VIABILITY AND GROWTH. THE INDONESIANS ARE, OF COURSE, PARTICULARLY CONSCIOUS OF THE "OPEN DOOR" ELEMENT SINCE IT IS THE ONLY ASEAN MEMBER COUNTRY THAT DOES NOT HAVE THE BENEFIT OF OUR GSP. ON THE OTHER SIDE OF THE EQUATION, THE INDONESIANS, IN THEIR

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DESIRE TO ATTRACT U.S. TECHNOLOGY, SHOULD BE MADE TO RECOGNIZE THAT THEY HAVE SOME WAY TO GO IN THEIR OWN INTERNAL APPROACH TO FOREIGN INVESTMENT IN ORDER TO BRING ABOUT A FLOW OF PRIVATE RESOURCES AND TECHNOLOGY SUCH AS TOOK PLACE IN THE BOOM DAYS OF THE EARLY '70'S.

4. WHILE THE COHESIVE FACTORS BINDING ASEAN ARE CONSIDERABLE, WE SHOULD NOT OVERLOOK THAT THERE ARE CENTRIFUGAL FORCES IN THE ORGANIZATION WHICH MAY MAKE IT EASIER FOR THE U.S. TO PERSUADE ASEAN THAT ITS BEST INTERESTS ARE IN ADHERING TO THE COURSE OF ECONOMIC MULTILATERALISM. THERE ARE THE SELF-EVIDENT COMPLEMENTARITIES IN THEIR ECONOMIES, THE DESIRE OF ALL OF THEM TO SELL PRIMARY PRODUCTS WHEREVER THEY CAN, AND MOST IMPORTANTLY A SENSE OF INTRA-ASEAN COMPETITION TO ATTRACT CAPITAL. THE ARGUMENTS OVER THE VARIOUS ASEAN PROJECTS DRAMATICALLY DEMONSTRATE THIS COMPETITION AND WE VENTURE TO SAY THAT IT MAY BE A LONG TIME BEFORE

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ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07

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USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00

XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 STR-04 CEA-01

/091 W

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P 310542Z AUG 77

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 3546

INFO AMEMBASSY MANILA PRIORITY

AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 2 OF 2 JAKARTA 11725

ANYTHING AKIN TO FOR EXAMPLE THE EUROPEAN COAL AND STEEL
COMMUNITY WILL BECOME A REALITY. THERE MAY BE SOME
INHERENT BENEFITS FOR US IN THIS COMPETITION INSOFAR
THAT POSITIVE ACTIONS BY SOME COUNTRIES, SUCH AS, FOR
EXAMPLE, THE PHILIPPINES OR MALAYSIA IN ATTRACTING
FOREIGN INVESTMENT, COULD RUB OFF ON THOSE WHO FIND IT
MORE DIFFICULT TO PUT THEIR HOUSE IN ORDER, SUCH AS
INDONESIA. THE IDEA OF A UNIFORM ASEAN POLICY ON FOREIGN
INVESTMENT AND THE POSSIBLE ESTABLISHMENT OF AN ASEAN
INSTRUMENTALITY TO DEAL WITH THESE ISSUES COULD CON-
CEIVABLY PROVIDE A STABILIZING INFLUENCE ON THE OVERALL
ASEAN POLICY TOWARDS PRIVATE FOREIGN CAPITAL. IF,
HOWEVER, A UNIFORM ASEAN POLICY OR APPROACH RESULTS IN
A LOWER DENOMINATOR OF RECEPTIVITY TO FOREIGN EQUITY
PARTICIPATION IN NATIONAL OR ASEAN PROJECTS, THE PROSPECTS
FOR AN INCREASED FLOW OF U.S. CAPITAL TO THE AREA WOULD
BE CIRCUMSCRIBED, ACCORDINGLY, IT MAY BE BETTER FOR THE
TIME BEING TO LET THE FORCES OF COMPETITION AMONG ASEAN
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COUNTRIES TAKE THEIR COURSE IN THE HOPE THAT THIS WOULD
EVENTUALLY RESULT IN BETTER INVESTMENT CLIMATES FOR ALL.

5. FINALLY WE MUST RECOGNIZE THAT THERE WILL BE A TENDENCY BY ASEAN TO ATTEMPT TO PLAY OFF ONE DIALOGUE PARTNER AGAINST THE OTHER ON THE THEORY THAT AN AFFIRMATIVE RESPONSE BY ONE WILL PERHAPS FORCE THE OTHER PARTNERS TO MODIFY THEIR STANCE. OUR OWN EFFORTS IN COORDINATING CLOSELY WITH BOTH JAPAN AND EC WILL CONTINUE TO BE IMPORTANT IN ORDER TO AVOID CONFUSION AND ALSO TO PROTECT OUR OWN INTERESTS IN GETTING ASHARE OF THE ACTION IN TERMS OF TRADE AND INVESTMENT OPPORTUNITIES. THE JAPANESE, ALTHOUGH THEY MAY FEEL SOMEWHAT UNEASY BY THE AVALANCHE OF ASEAN DESIDERATA, WILL CERTAINLY NOT MISS THE OPPORTUNITIES WHICH THEIR NEW RELATIONSHIP WITH ASEAN PROVIDE, DESPITE THE REALITY THAT THEY MAY NOT MOVE QUITE AS RAPIDLY AS THE NOW FAMOUS \$1 BILLION PROMISE INDICATES. IN THE EVOLUTION OF THE JAPANESE ROLE IN THE AREA WE SHOULD NOT HESITATE TO EXAMINE WHAT PROSPECTS THERE MIGHT BE FOR THE U.S. PRIVATE SECTOR IN JOINT U.S.-JAPANESE VENTURES IN ASEAN.

6. IN THE FINAL ANALYSIS WHAT AN ASEAN NATION SUCH AS INDONESIA IS STRIVING FOR IS A SENSE OF IDENTITY IN AND RECOGNITION BY THE LEADING INDUSTRIAL COUNTRIES OF THE WORLD. THEY VIEW ASEAN AS A MEANS OF INCREASING TRADE AND AID AND FOR BUILDING A BRIDGE TO THE WEALTHIER NATIONS WITHOUT COMPROMISING TO ANY MAJOR EXTENT THEIR OWN NATIONAL ASPIRATIONS.

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